

# THE REISS REPORT

## CONDO REAL ESTATE BLOG

For the first time we have had two consecutive sales years in which the condo market activity within the Winnipeg Regional Real Estate Board (WRREB) market region exceeded the 2,000 unit threshold. It should not be all that surprising that we are unlikely to see a repeat performance in 2023, given the interest rate environment we are in. Consider the effect of the eight Bank of Canada interest rate increases in 2022, followed by another one this year, resulting in the overnight lending rate of 4.5%. Other factors have contributed to the sentiment that we are unlikely to repeat the performance of the past two years.

- Potential buyers are having increased difficulty in qualifying for mortgages since the Office of the Superintendent of Financial Institutions (OSFI) is holding firm on keeping the mortgage stress test at two full percentage points above the best negotiated rate, so buyers need to qualify for rates above 7%.
- Potential buyers have less disposable income due to the higher inflation rates. While the reason for the rapid rise in interest rates has been to rein in runaway inflation, the effects of the rate increases have yet to reduce the inflation rate to the 2% target. Whether a recession is in the offing is a moot point but there is no question that hot housing markets in general have been a target of the Bank of Canada to cool down and it is working.
- There is decreased demand now. For the past two years many first-time buyers knew they had a golden opportunity to get into the local housing market with record low pandemic-induced mortgage rates. This was borne out in 2021 where sales catapulted to over 2,500 and even despite

higher rates in 2022 with 2,184 sales.

- Many empty-nesters looking to downsize are being diverted from the condo market to the rental market because Winnipeg has experienced a multi-family rental construction boom the last few years.
- One additional factor resulting in reduced demand, as noted in the prior Reiss Report (Winter 2023 edition <https://cci-manitoba.ca/cci-manitoba-magazine/article/134>), is the impact of Federal Government's legislation on foreign buyers. This especially impacts foreign buyers looking for a condo for their children while they attend university here. Looking at the Fort Richmond area, for example, this legislation resulted in a reduction of the sales conversion rate from 96% to 73% in Q1 of 2023 and a conversion rate of only 40% in March.

## 2023 Q1 RESULTS

How did the Q1 sales of 2023 turn out for the condominium market? Let's see! Sales have essentially reverted back to the pre-COVID sales numbers, keeping in mind that Q1 of 2020 was quite normal since the first reported Covid case wasn't until March 12th, 2020 and the first lockdown was April 1st, 2020. After that, the condo market literally took off for the remainder of 2020 and was exceptionally robust in 2021.

Condo sales for Q1 of 350 are down 34% from 2022 and 40% from 2021 but still up 10% over 2020 levels and a modest 5% over 2019. Single-family sales of 2,251 decreased to a lesser extent by 23% from 2022, however, both single-family and condominiums had identical 52% conversion rates from listing to sales rates. For Q1 of last year, they were both over 70%.

Condo listings in Q1 are down and actually

quite appreciably, when you look at prior years. There were only 4,300 total MLS listings for Q1 of 2023 as compared to 6,000 for Q1 of both 2021 and 2022. The 676 condo listings entered on MLS for Q1 of 2023 are not only down 9% from the 746 in 2022, but well off the 1,015 entered in 2021 (down 33%), the 928 in 2020 (down 27%) and the 1,029 in 2019 (down 34%).

Just looking at active listings for a number of condo MLS areas heading into Q2, there are many with low single digits, however more active MLS condo selling areas like Osborne Village, the downtown, LindenWoods, Waverley West, and River Park South are still in relatively good shape. Osborne Village has the most at 44, the downtown second at 42 followed by Winkler at 41.

Clearly a number of sellers are sitting on the sidelines in 2023 because of the reduced demand. The Governor of the Bank of Canada has recently signaled more stability in interest rates, but will it be enough to get them into the market this spring or later in year?

The Q1 average condo sale price of \$244,204 was down from the \$260,244 average Q1 price in 2022. It is well documented now as part of the national spike in prices that occurred in 2022 due to buyers rushing in to capitalize on lower mortgage rates knowing they would be heading up as occurred throughout 2022 which started in March. Regardless, the average condo price is still slightly higher at \$244,204 for Q1 of 2023 as compared to \$241,461 for Q1 of 2021, owing to a tighter listing supply than normal. It is also worth noting that Q1 average condo sales price is close to \$5,000 higher than the 5-year average of approximately \$239,000.

As was the case in prior years, the most active price range for sales in March 2023 was from \$150,000 to \$199,999 with 26% of the sales, and close behind is the next higher price range of \$200,000 to \$249,999 with 23% of the sales. For these sales, the busiest price range had the lowest average continuous days on market (CDOM) at 31 days as compared to the overall CDOM of 54 days. The highest sales price for a condo was a listing that sold for \$950,000.

Looking ahead to the end of Q2 will provide a clearer picture of the condo market in 2023, as there really needs to be an uptick in sales and listings to achieve better results. If the first half of April is any indication, the 73 condo sales represent a decline of 38% from the same time last year, so we are hoping to see better results as the year progresses.

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